



North Carolina

Utilities Commission

North Carolina's Public Utility Infrastructure & Regulatory Climate

Presented by

**NORTH CAROLINA
UTILITIES COMMISSION**



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Utilities Commission

NORTH CAROLINA UTILITIES COMMISSION

Dobbs Building, 430 North Salisbury Street 27603-5918

4325 Mail Service Center, Raleigh, North Carolina 27699-4300

www.ncuc.gov Phone: 919-733-4249 Fax: 919-733-7300

Commissioners

Charlotte A. Mitchell, Chair

ToNola D. Brown-Bland

Daniel G. Clodfelter

Kimberly W. Duffley

Jeffrey A. Hughes

Floyd B. McKissick, Jr.

Karen M. Kemerait



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Chair Mitchell



Commissioner
Brown-Bland



Commissioner
Clodfelter



Commissioner
Duffley



Commissioner
Hughes



Commissioner
McKissick



Commissioner
Kemerait



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The Public Staff – North Carolina Utilities Commission

- Established in the Commission is the Public Staff, an independent agency created in 1977 by legislation (*N.C. Gen. Stat. § 62-15*)
- Represents the Using and Consuming Public of the State's investor-owned public utilities and intervenes on their behalf in all Commission proceedings affecting rates or service

Christopher J. Ayers, Executive Director

Dobbs Building, 430 North Salisbury Street 27603-5918

4326 Mail Service Center, Raleigh, North Carolina 27699-4300

■ ■ ■

www.publicstaff.nc.gov

Consumer Services Division (Consumer Complaints)

Phone: 919-733-9277 Toll-Free: 1-866-380-9816



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Regulation of Public Utilities

- Purpose: protect the public's interest in receiving adequate service at reasonable rates
- Regulatory Compact: utilities exchange benefit of monopoly franchised service territory for obligation to provide adequate service at reasonable rates
- Commission's regulatory obligation: to be fair and reasonable to public utilities and their customers
- Commission's regulatory tools:
 - certification of new facilities
 - rate establishment or review, including performance-based regulation of electric public utilities and a multi-year Water and Sewer Investment Plan rate-making mechanism for water and sewer public utilities
 - service quality oversight
- Regulation of certain utility industries and services by the Commission has become more complex due to changes in State and Federal laws and rules, and industry trends. Certain utility services have been fully or partially deregulated.



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History of NC Utilities Commission

- Oldest regulatory body in state government: evolved from Railroad Commission (1891) to Corporation Commission (1899) to Utilities Commission (1933)
- History of significant legislative grants of, or limitation on, regulatory authority:
 - Railroad – 1891
 - Telephone – 1893
 - Electric, Gas, & Water – 1913
 - Wastewater – 1917
 - Housing – 1935
 - Hospitals – 1943
 - Buses/Brokers – 1949
 - Motor Carriers & Ferries – 1963
 - Electric Generation – 1965
 - Electric Membership Cooperatives – 1965
 - Payphone Service Providers – 1985
 - Long Distance Telephone Competition – 1985
 - Telephone Shared Tenant Service – 1987
 - Local Telephone Competition – 1995
 - Motor Carriers of Property, except Household Goods, Deregulation – 1995
 - Railroad Transferred to Dept. of Transportation – 1996
 - Water/Wastewater Resale – 1996
 - Charter Bus Deregulation – 1998
 - Long Distance Telephone Rate Deregulation – 2003
 - Electric Resale – 2011
 - Natural Gas Resale – 2017
 - Leasing of Solar Energy Facilities – 2017
 - Performance-based regulation for electric. Public Utilities – 2021
 - Multi-Year Water and Sewer Rate-Making - 2021
 - Carbon Plan - 2021



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NCUC Organization

- Administrative agency of General Assembly (*N.C. Gen. Stat. § 62-23*); legislative oversight by House Committee on Energy and Public Utilities, Senate Committee on Commerce and Insurance, and Joint Legislative Commission on Governmental Operations
- Seven members: appointed by Governor, subject to confirmation by General Assembly, serving staggered six-year terms (*N.C. Gen. Stat. § 62-10*)
- Chair: appointed by Governor, four-year term, organizes Commission's work. *Ex officio* member of Geographic Information Coordinating Council. Membership responsibilities currently shared among Commissioners (*N.C. Gen. Stat. § 62-12, 13*)



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NCUC Organization *cont.*

- Commissioners are subject to standards of judicial conduct and prohibited by law from engaging in any other employment, business or profession while in office (*N.C. Gen. Stat. § 62-10[i]*)
- Commission employs up to 65 people, current staffing is 58, organized among four divisions: Legal, Operations, Fiscal Management, and Clerk and IT Services
- Certified FY 2022-2023 annual budget: \$ 10,872,129
NCUC budget: \$ 9,697,434
Gas Pipeline Safety budget: \$ 1,174,695
 - Gas Pipeline Safety is housed in the Commission and receives partial federal reimbursement
 - NCUC is a fee-funded agency, supported by regulatory fee percentage applied to the jurisdictional revenues of public utilities (*N.C. Gen. Stat. § 62-302*).
As of 7/1/2016, the NC Utilities Commission Chairman and Public Staff Executive Director establish the regulatory fee percentage within the parameters of House Bill 356 passed during the 2016 Legislative Session
 - The Public Staff maintains its own budget which is separate from the Commission's budget but it is funded by the same regulatory fee



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NCUC's Responsibilities & Procedures

- For the 12-Month Period Ending 12/31/2022:
 - 15,845 formal proceedings instituted before NCUC
 - 77 hearings in contested cases
 - 29,711 filings in Chief Clerk's Office
 - 3,566 orders issued
 - 739 open dockets as of 12/31/2022
- Appeals from general rate case decisions to NC Supreme Court; all others to NC Court of Appeals (absent federal jurisdiction)
- NCUC conducts proceedings pursuant to federal law and participates in proceedings before federal courts and regulatory agencies (*N.C. Gen. Stat. § 62-48*)



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NCUC's Responsibilities & Procedures *cont.*

- Publication requirements (*N.C. Gen. Stat. § 62-17*):
 - Annual reports to Governor include copies of general orders, regulations, comparative statistical data, rate comparisons, report of pending matters, and digest of principal decisions
 - Final decisions on merits in formal proceedings
- Limited jurisdiction over municipalities and cooperatives



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Regulated Entities

(As of 12/31/2021)

	<u>QTY</u>
BUS / BROKER	9
ELECTRIC	5
ELECTRIC COOPERATIVES	31
ELECTRIC MERCHANT PLANTS	14
ELECTRIC RESELLER	60
ELECTRIC GENERATOR LESSOR	9
ELECTRIC SUPPLERS	1
FERRIES	8
MOTOR CARRIERS OF HOUSEHOLD GOODS	345
NATURAL GAS:	
– LOCAL DISTRIBUTION COMPANIES	4
– INTRASTATE PIPELINE	1
– GAS RESELLERS	1
– PROPANE COMPANY	1
SMALL POWER PRODUCERS	1,121
TELEPHONE:	
– COMPETING LOCAL PROVIDERS	163
– INCUMBENT LOCAL EXCHANGE COMPANIES	16
– LONG DISTANCE CARRIERS	95
– PAYPHONE SERVICE PROVIDERS	29
– SHARED TENANT SERVICES	5
WATER / WASTEWATER	92
WATER / WASTEWATER RESELLERS	1,810
WATER RESELLER NON-CONTIGUOUS	<u>77</u>
TOTAL	3,897



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Industry Revenue Profile

- FY 2021-2022 Jurisdictional Revenues: \$12.14 billion
 - Electric: \$9.053 billion
 - Natural Gas: \$1.894 billion
 - Telecommunications: \$772.1 million
 - Includes Local and Long Distance Telephone Companies, Payphone Service Providers, and Shared Tenant Service Providers
 - Water and Wastewater: \$292.7 million
 - Includes Water/Wastewater Resale Companies
 - Transportation: \$127.4 million
 - Includes Brokers, Buses, Ferries, and Household Goods (HHG) Carriers



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Filings & Orders by Industry Group

(For the 12-Month Period Ending 9/30/2022)

	<u>Filings</u>	<u>Orders</u>
• Electric	3,075	753
• Natural Gas	1,078	169
• Telephone	367	94
• Water/Wastewater	6,145	2,193
• Household Goods Carriers	660	152
• Small Power Producers	16,934	128
• Other (Bus/Broker, Electric Merchant Plant, EMC, Ferry, Payphone Provider, Renewable Energy Facilities, & Misc.)	<u>1,278</u>	<u>157</u>
TOTAL	29,857	3,646

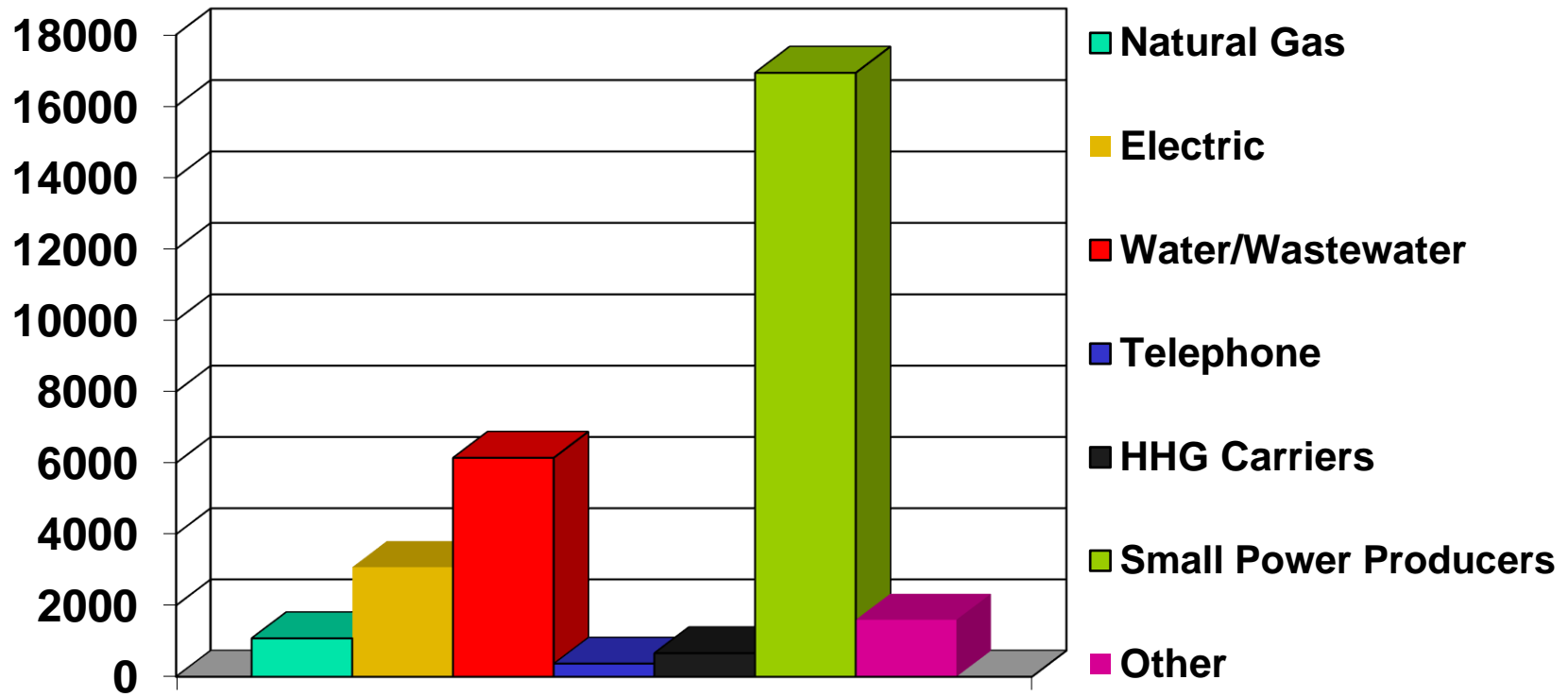


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Filings by Industry Group

(For the 12-Month Period Ending 9/30/2022)



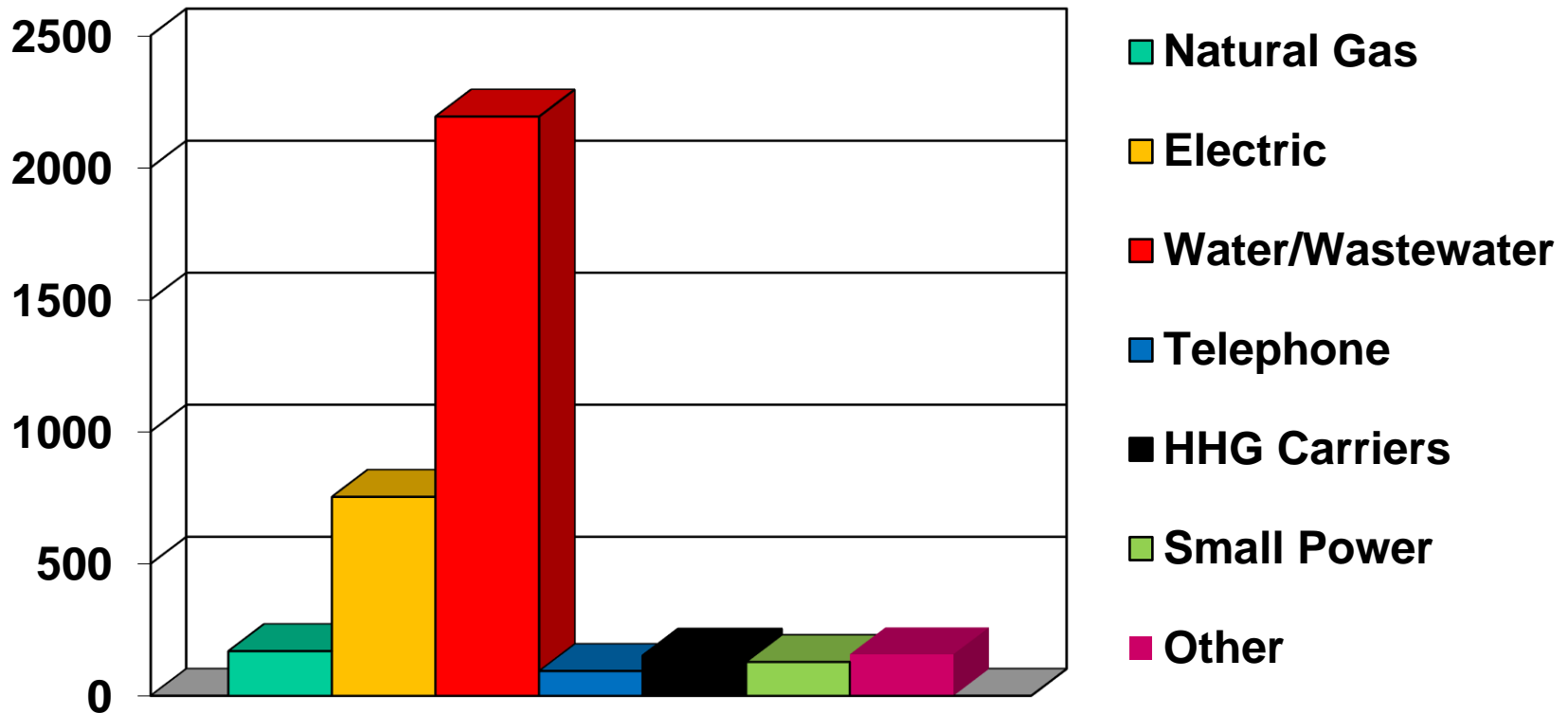


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Orders by Industry Group

(For the 12-Month Period Ending 9/30/2022)





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Industry Specific Overview

- I Electric
- II Natural Gas
- III Telecommunications
- IV Transportation
- V Water and Wastewater
- VI Selected Financial and Operational Data



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I Electric

Basic Facts: Regulated Electric Utilities

- 3 Investor-Owned Utilities (IOUs)
 - Duke Energy Carolinas – 2,084,000 customers in Piedmont and Western North Carolina
 - Duke Energy Progress – 1,448,000 customers in Eastern and Western North Carolina
 - Dominion Energy North Carolina – 122,000 customers in Northeastern North Carolina



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EMC, Municipal-Owned, & University-Owned

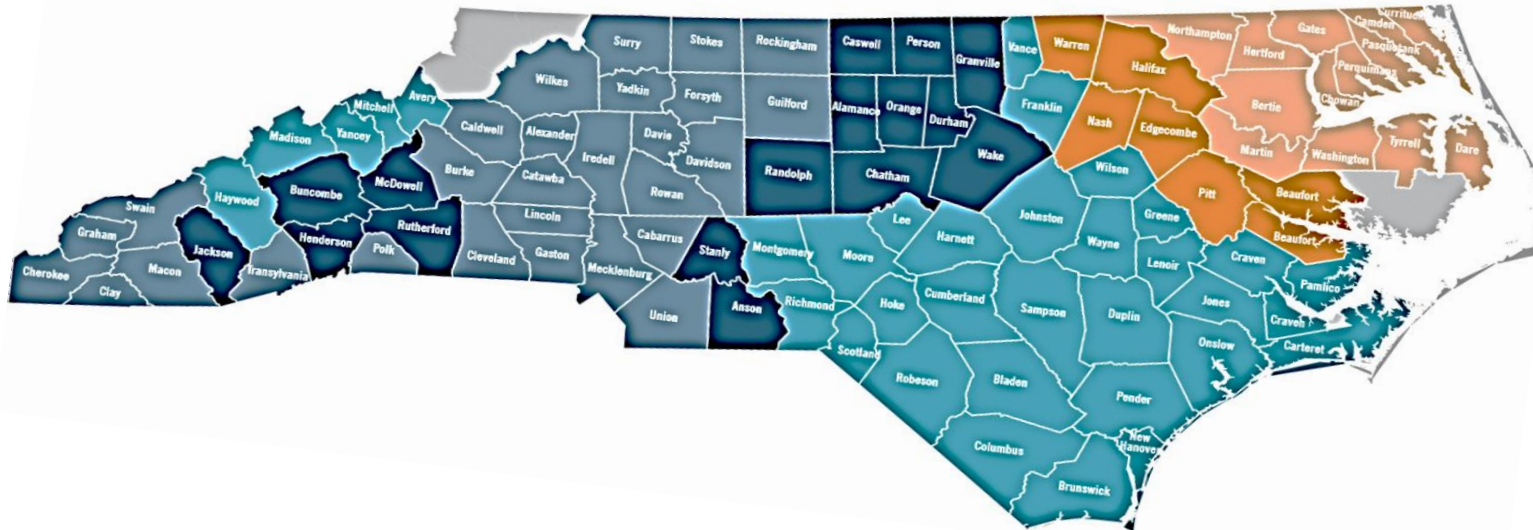
- 31 Electric Membership Corporations (EMCs) – Serving approximately 1 million customers in N.C. (26 are headquartered in N.C.)
- About 76 Municipal and University-owned electric distribution systems – Serving approximately 599,000 customers in N.C.
- Limited NCUC jurisdiction: EMCs, Munis, and certain University systems
 - Monitor subsidiary business activities of EMCs to prevent subsidization by electric customers (*N.C. Gen. Stat. § 117-18.1*)
 - EMC territorial assignment issues (*N.C. Gen. Stat. § 62-110.2*)
 - Certification authority for construction of electric generating facilities (*N.C. Gen. Stat. § 62-110.1*) and electric transmission lines of 161 + kV (*N.C. Gen. Stat. § 62-101*)
 - Adjudicate pole attachment disputes (*N.C. Gen. Stat. § 62-350*)
 - Safety jurisdiction over gas pipeline facilities operated by municipalities and similar entities (*N.C. Gen. Stat. § 62-50*)
 - Rates charged to customers of New River Light and Power (Boone) and Western Carolina University (Cullowhee) are regulated by the Commission



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North Carolina Electric IOU Service Area Map



SERVICE TERRITORIES

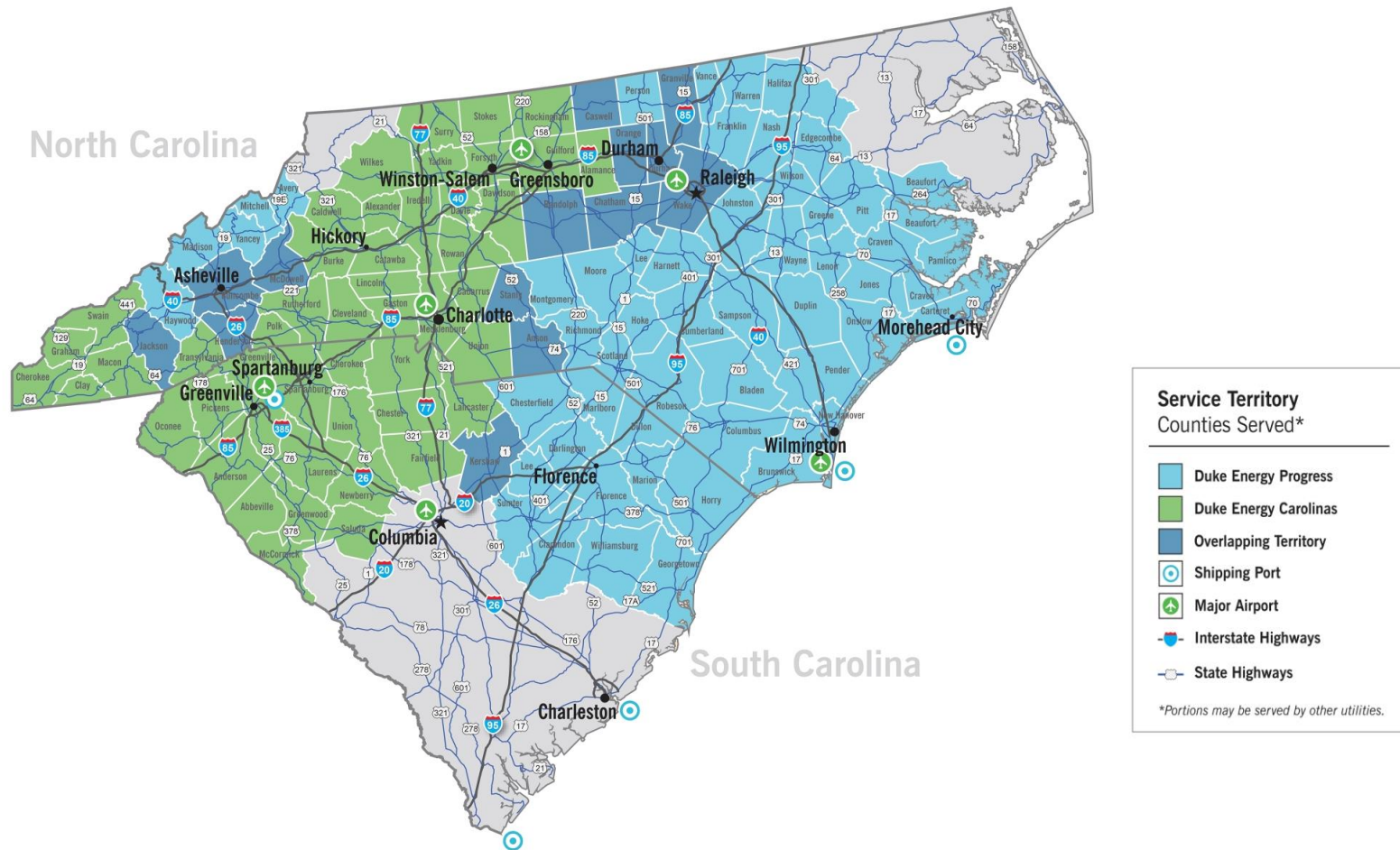




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Duke Energy's Carolinas and Progress NC & SC Service Areas





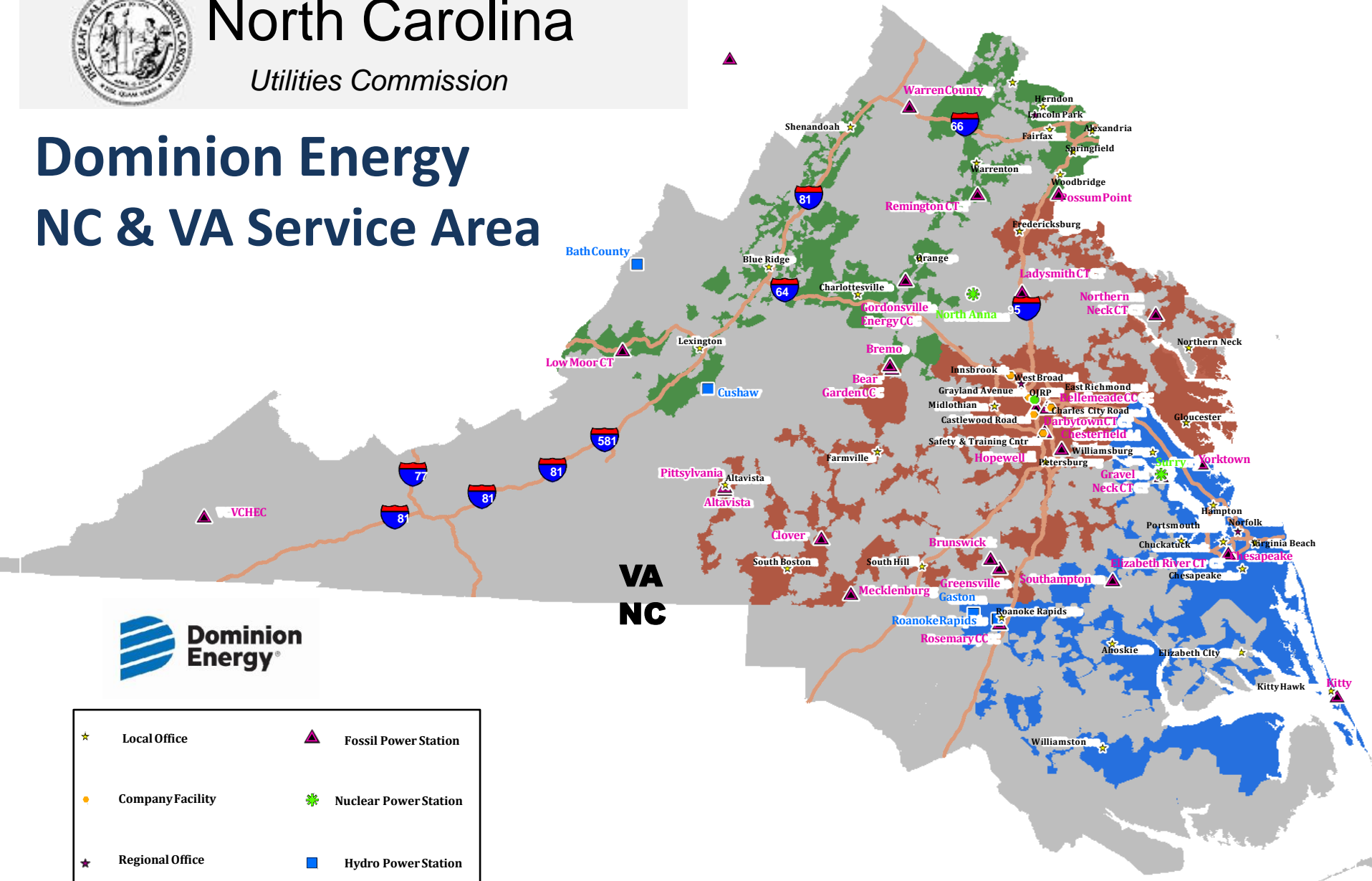
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Dominion Energy NC & VA Service Area



★ Local Office	▲ Fossil Power Station
● Company Facility	✱ Nuclear Power Station
★ Regional Office	■ Hydro Power Station
● Corporate Office	





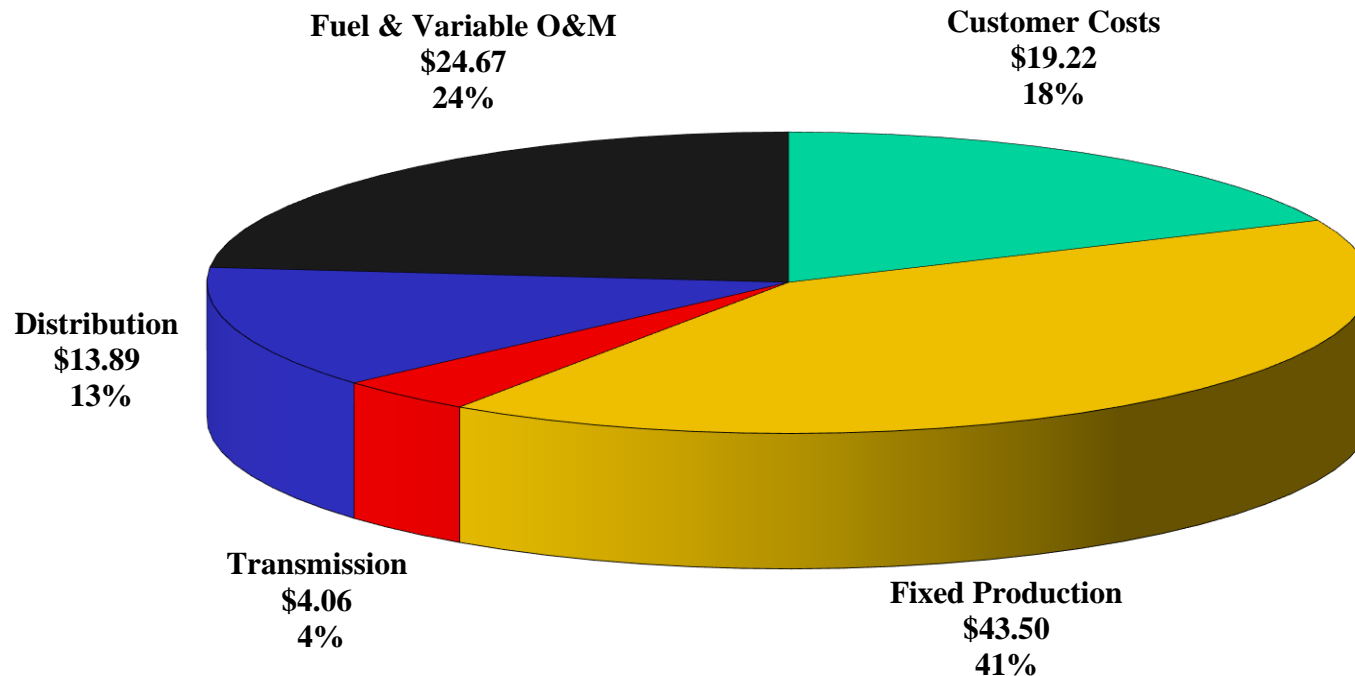
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Duke Energy Carolinas

Typical Residential 1,000 kWh Monthly Bill Total \$105.34

March 2022





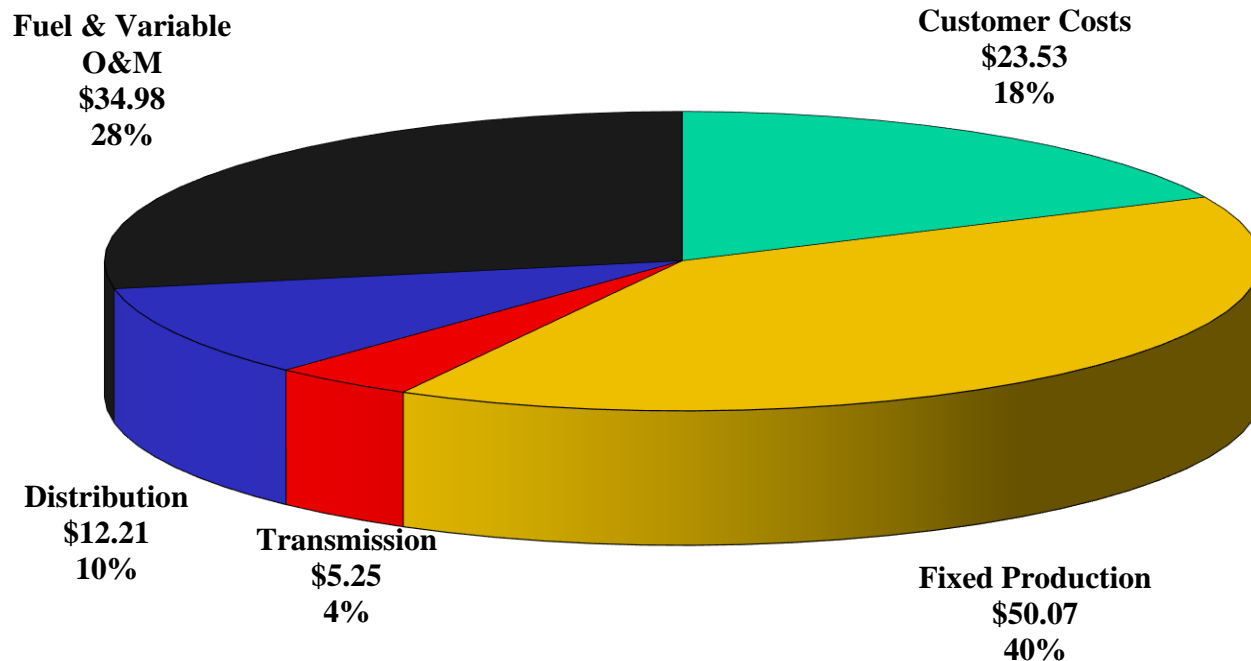
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Duke Energy Progress

Typical Residential 1,000 kWh Monthly Bill Total \$126.04

March 2022





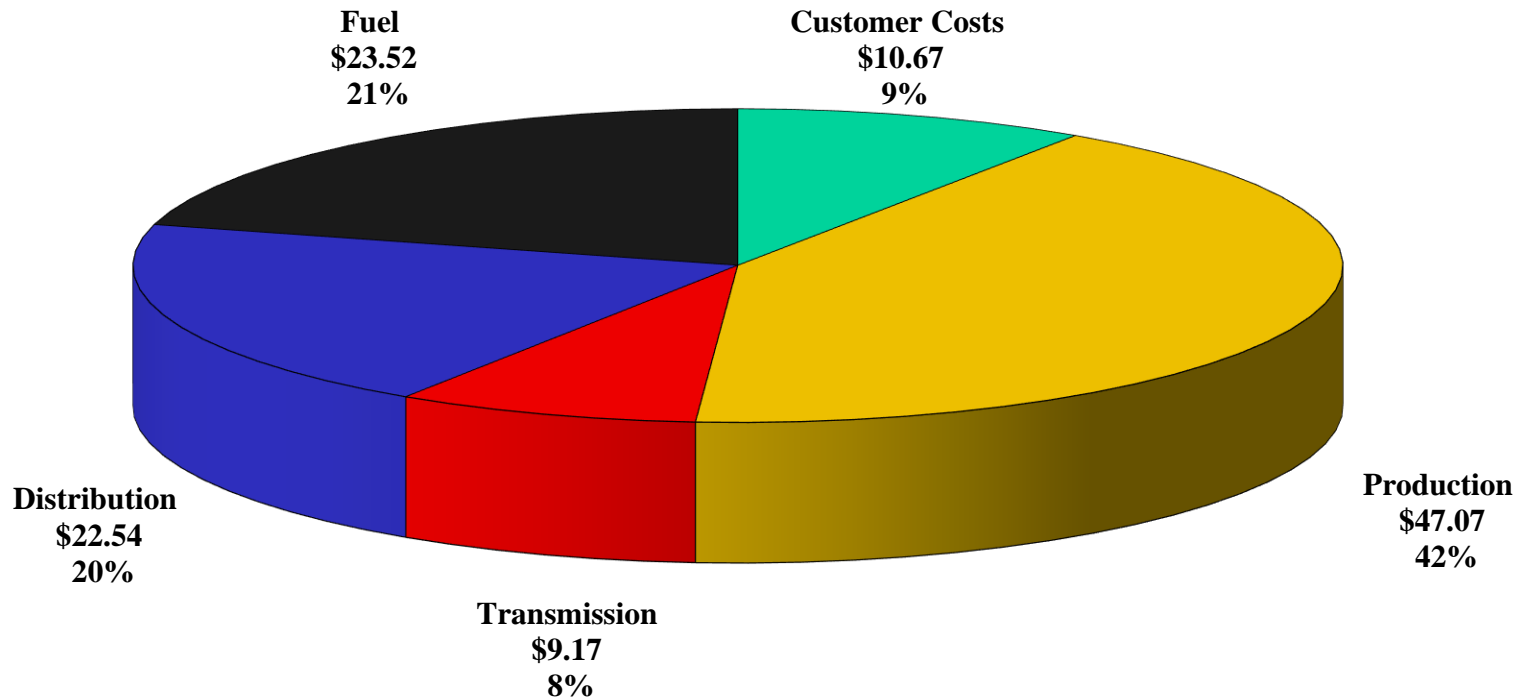
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Dominion Energy North Carolina

Typical Residential 1,000 kWh Monthly Bill Total \$112.97

February 2022

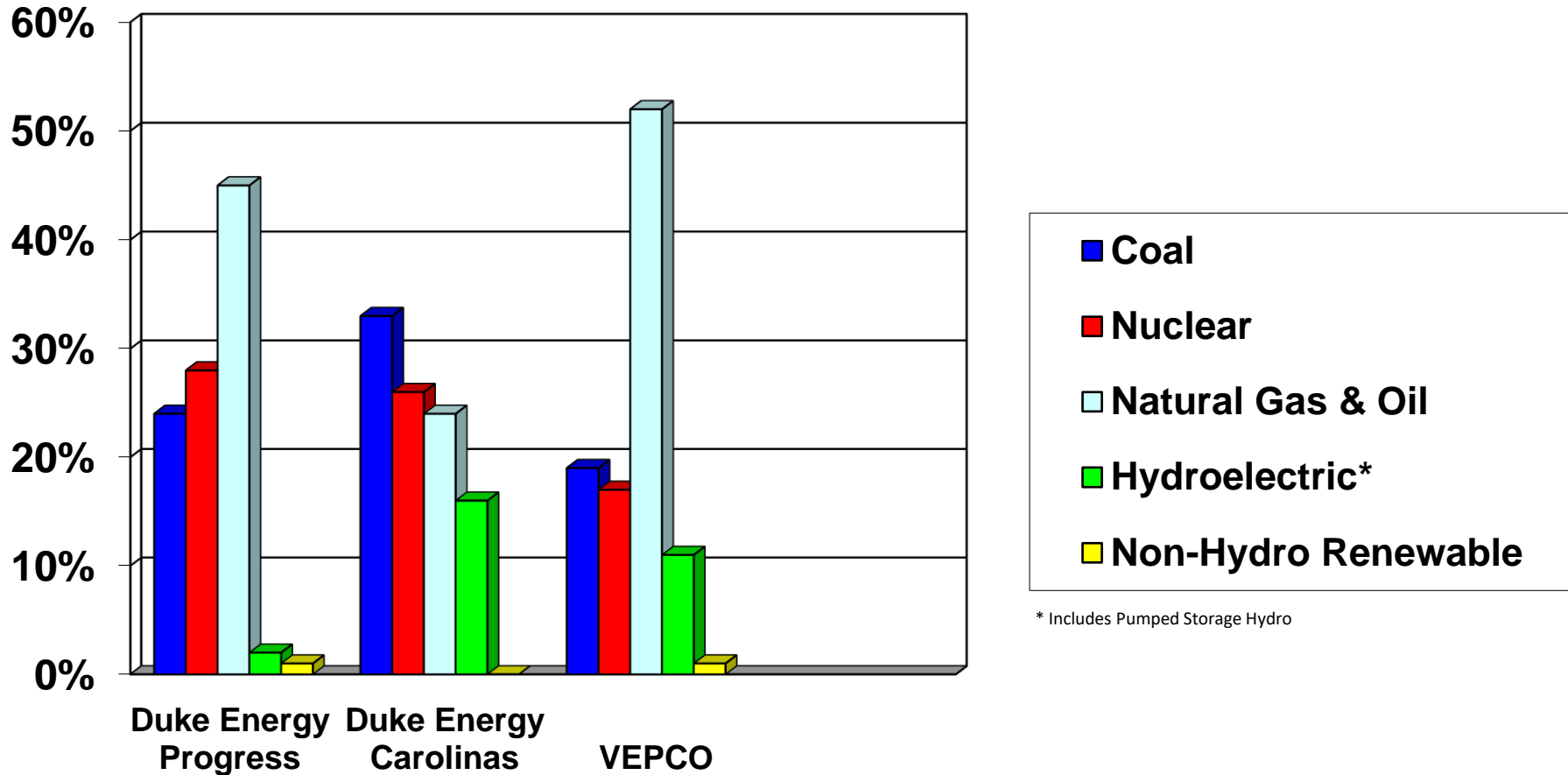




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Summer Generating Capacity by Fuel Type





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Projected Reserve Margins Through 2033

- DEP and DEC each utilize a minimum winter planning reserve margin of 17%.
- VEPCO is a PJM member and signatory to PJM's Reliability Assurance Agreement. The Company is obligated to maintain a reserve margin (11.7%) for its portion of the PJM coincident peak load. The PJM reserve requirement for years 2021-2035 for its adjusted load forecast is approximately 15%, and this satisfies the NERC and Reliability First Corporation Adequacy Standard BAL-502-RFC-02, Planning Resource Adequacy 20 Analysis, Assessment, and Documentation.



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Renewable Energy & Energy Efficiency Portfolio Standard (REPS)

- In 2007, North Carolina became the first State in Southeast to adopt a renewable energy portfolio standard – Session Law 2007-397 (Senate Bill 3)
- REPS requirement applies to investor-owned electric utilities (electric public utilities), electric membership corporations, and municipal utilities
- REPS requirement may be met through combination of renewable energy generation and energy efficiency savings. A third-party renewable energy certificate (REC) tracking system became operational in 2010.
- Specific requirements for energy derived from the sun and from poultry and swine waste, with solar requirement that began in 2010
- REPS requirement increased from 3% of customer electricity use in 2012 to 12.5% in 2021 (for electric public utilities). Current annual requirement is 12.5%.
- Cap on incremental cost of compliance, including annual rate adjustments for investor-owned utilities
- Legislation adopting REPS also provides timely cost recovery for new demand-side management programs and energy efficiency measures by electric public utilities, including the opportunity for utility incentives
- The Commission has approved about 1,440 renewable energy facilities (net of cancellations and revocations)



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II Natural Gas

Basic Facts: Industry Structure

- Three parts of natural gas industry
 - Exploration and Production (E&P)
 - Interstate pipelines and storage facilities
 - Local Distribution Companies (LDCs) and intrastate pipeline
- E&P companies are not price-regulated
- Interstate companies are regulated by FERC (Federal Energy Regulatory Commission)
- LDCs are regulated by state commissions



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Natural Gas Utilities

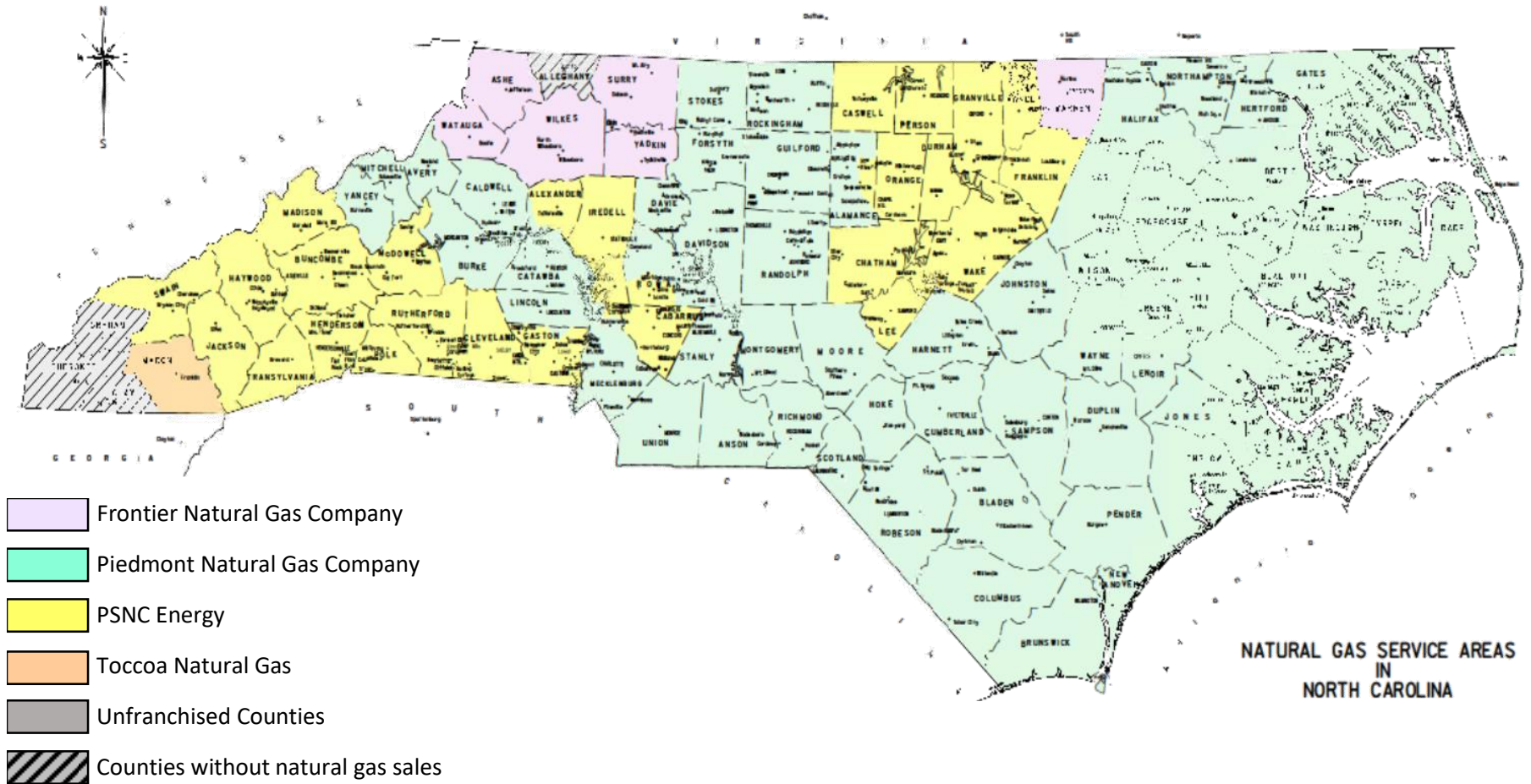
- 4 Local Distribution Companies (LDCs) in the state
 - Piedmont Natural Gas Company, Inc.
 - PSNC Energy
 - Frontier Natural Gas Company, LLC
 - Toccoa Natural Gas
- 1 Intrastate gas pipeline (Cardinal Pipeline Company, LLC)
- 8 Municipal gas systems – rates not regulated by NCUC
- 1 Interstate gas pipeline (Transco) crosses the State
 - 2 others (Columbia and Patriot) provide small volumes
 - 1 major new interstate pipeline is proposed
 - The Mountain Valley Pipeline is currently under construction
- 1 Interstate liquefied natural gas storage facility
(Pine Needle LNG Company, LLC)



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Local Distribution Companies' Service Territories



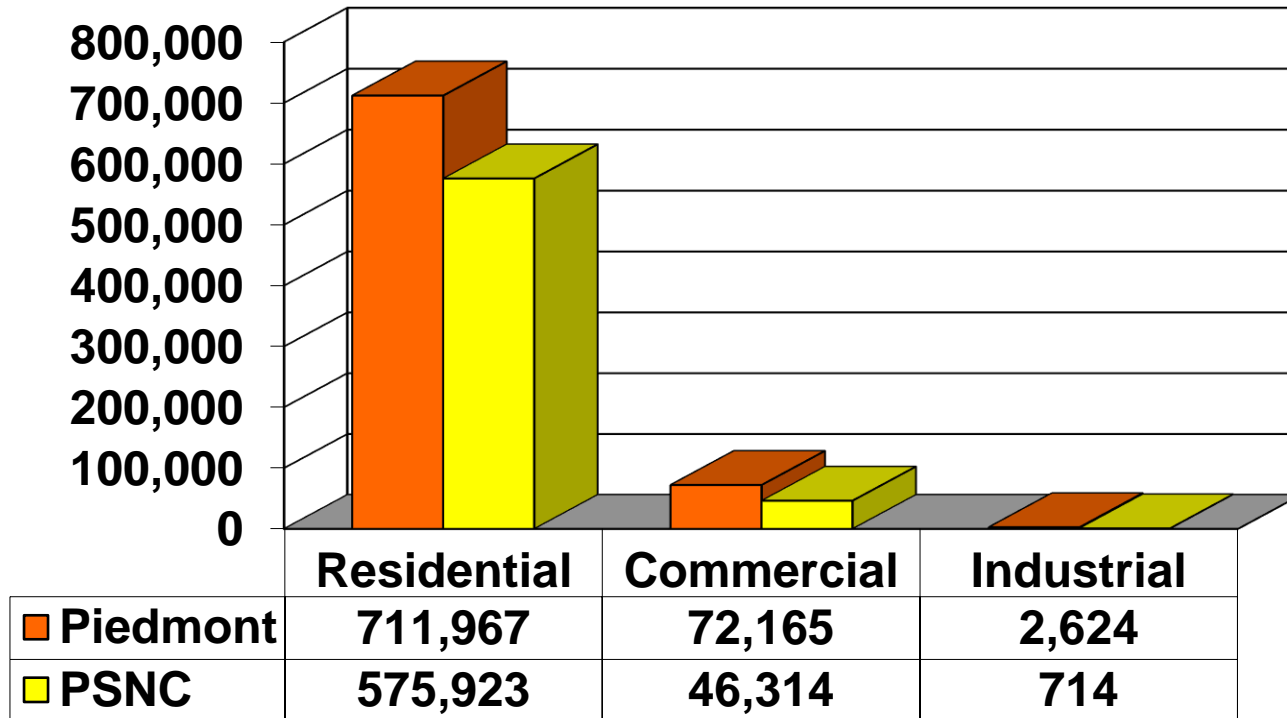


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Major Local Distribution Companies' Number of Customers

(As of 12/31/2021)



Note: "Industrial & Other" customers include gas transported for others and sales to public authorities.

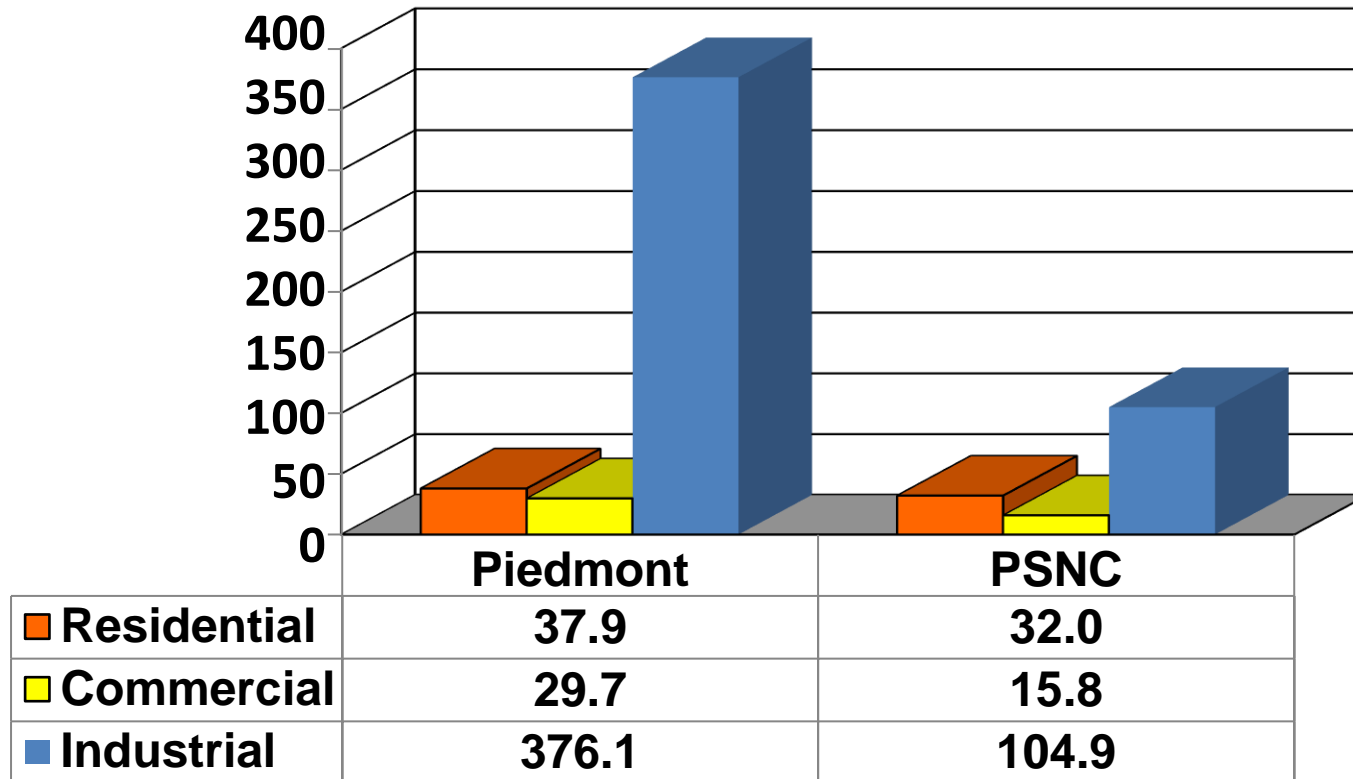


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Major Local Distribution Companies' Volumes Delivered (In Millions of Dekatherms)

(12-Month Period Ending 12/31/2021)



Note: "Industrial & Other" volumes include deliveries to gas-fired electric generators and gas transported; Piedmont's "Industrial" volumes include deliveries for resale to municipal gas systems.



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State Regulatory Framework For Local Distribution Companies

Rates

- NCUC establishes level of base rates in a general rate case
- LDCs earn a return on equity invested
 - Pass through prudently incurred costs
- LDCs may file purchased gas adjustments at any time
 - To adjust gas cost portion of rates prospectively
 - To pass through the wholesale cost of natural gas
 - LDCs do not profit from high gas prices
- NCUC annually reviews each LDC's gas purchasing practices
 - Compares prudently incurred costs to costs recovered
 - Changes rates to "true up" under-recoveries or over-recoveries



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State Regulatory Framework For Local Distribution Companies *cont.*

Tracker Mechanisms

- Laws allow for certain costs to be recovered outside of a rate case
 - N.C. Gen. Stat. § 62-133.7 – customer usage adjustment
 - N.C. Gen. Stat. § 62-133.7A – safety-related capital expenditure adjustment
- N.C. Gen. Stat. § 62-133.7 – Lets LDCs adjust rates to track customer usage
 - Without this, reduced usage would cause LDCs to under-recover margin
 - Would punish LDCs for promoting conservation and efficiency
 - Tracker allows for rate adjustments to recover rate case margins
- N.C. Gen. Stat. § 62-133.7A. – Lets LDCs put safety-related investments in rate base
 - Federal pipeline safety laws and regulations require major investments
 - Without this, LDCs might have to file frequent “pancaked” rate cases



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Current Issues: Growing, Changing Market

- U.S. natural gas production has continued to increase
 - It is projected to increase by almost 25% through 2050
- U.S. natural gas prices are beginning to rise
 - The U.S. natural gas city gate price averaged over \$6 in 2021 and the U.S. price of natural gas delivered to residential customers averaged over \$12 per dekatherm in 2021
- Shale Gas continues to flow south into North Carolina
 - Provides a new source of gas, but...
 - Threatens to eliminate cheap “backhaul” capacity
- Demand for gas for electric generation is increasing
 - Now accounts for approximately half the gas delivered by NC
- Biogas is being developed in North Carolina
 - Two current running projects at Optima KV in Kenansville and Optima TH in Tar Heel



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Current Issues: Interstate Pipeline Capacity

- New pipeline capacity is being added to bring down shale gas
- Transco has several projects, reversing flow from north to south
 - Flow reversal eliminates cheap backhaul of market-area storage
 - Piedmont & PSNC have signed up for firm Transco capacity
- Mountain Valley Pipeline (MVP) brings shale gas to south Virginia
- MVP Southgate lateral will extend MVP into Alamance County
 - The lateral capacity is 300,000 dekatherms/day
 - Pending litigation has delayed project in-service date



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III Telecommunications

Basic Facts: Telecom Utilities

(As of 12/31/21)

- 16 Incumbent Local Exchange Companies (ILECs)
 - No ILECs remain rate-of-return or price-plan regulated
 - 8 ILECs Subsection (h) price-plan elected, effective upon filing notice¹ (*N.C. Gen. Stat. § 62-133.5[h]*)
 - 8 ILECs Subsection (m) price-plan elected, effective upon filing notice² (*N.C. Gen. Stat. § 62-133.5[m]*)
- 163 Competing Local Providers (CLPs)
 - Rates are not regulated; may raise rates after 14 days customer notice
- 95 Interexchange Long Distance Carriers (IXCs)
 - Senate Bill 814, signed into law on 5/30/2003, found long distance services sufficiently competitive and no longer subject to regulation by the Commission. However, the Commission has authority regarding certification and enforcement of slamming and cramming rules.

¹ Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium, Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, and Service Telephone Company.

² BellSouth Telecommunications, Inc. d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company LLC d/b/a CenturyLink, Central Telephone Company d/b/a CenturyLink, MebTel, Inc. d/b/a CenturyLink, Verizon South, Inc. (Knotts Island exchange only), Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC.



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Telecom Utilities *cont.*

(As of 12/31/2021)

- 29 Payphone Service Providers (PSPs)
- 5 Shared Tenant Services (STS) Providers
- Commission does not regulate:
 - Telephone Membership Corporations
 - Cable and Satellite
 - Commercial Mobile Radio Service (*includes cellular and pagers*)
 - Data and Internet Service Providers
 - Long Distance Providers (*with the exceptions of certification and enforcement of slamming and cramming rules*)
 - Rates, terms, conditions, or availability of retail services of Subsection (h) and Subsection (m) price-plan entities (ILEC or CLP)



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House Bill 1180

Subsection (h) Price Plans – (N.C. Gen. Stat. § 62-133.5[h])

- HB1180 signed into law on 6/30/2009
- Allowed ILECs and CLPs to adopt a Subsection (h) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (h) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (h) price-plan companies
- Subsection (h) price-plan ILECs must continue to offer stand-alone basic residential lines to all customers who choose to subscribe to that service, and the rate for stand-alone basic residential service may not increase more than the GDP-PI on an annual basis
- The following CLPs are Subsection (h) companies: dishNet Wireline, LLC, ETC Communications, LLC, Frontier Communications of America, Inc., Onvoy, LLC, RiverStreet Wireless of North Carolina, Inc., Rosebud Telephone, LLC, SCTG Communications, Smithville Telecom, Inc., South Carolina Net, Inc., and Tri-County Communications, Inc.



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Subsection (h) Price Plans *cont.*

- The following ILECs are Subsection (h) companies: Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium, Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, and Service Telephone Company.
- Subsection (h) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data



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Senate Bill 343

Subsection (m) Price Plans – (N.C. Gen. Stat. § 62-133.5[m])

- SB343 signed into law on 4/26/2011
- Allowed ILECs and CLPs to adopt a Subsection (m) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (m) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (m) price-plan companies, including stand-alone basic residential service
- A Subsection (m) company does not have any carrier of last resort obligations
- Subsection (m) price-plan companies are **not** required to offer stand-alone basic residential service



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Subsection (m) Price Plans *cont.*

- A subsection (m) company forgoes receipt of any funding from a State funding mechanism that may be established to support universal service
- The following CLPs are Subsection (m) companies: AT&T Corp., CenturyLink Communications, LLC, Clear Rate Communications, LLC, Comcast Phone of North Carolina, LLC, Comporium, Inc., Crosstel Tandem, Inc., eNetworks, LLC, Global Crossing Local Services, Inc., Level 3 Communications LLC, Level 3 Telecom of North Carolina, LP, Lightrunner, LLC, MCImetro Access Transmission Services Corp. d/b/a Verizon Access Transmission Services, North State Communications Advanced Services, LLC, Springboard Telecom, LLC, TDS Metrocom, LLC, Telcove Operations, LLC, Teleport Communications America, LLC, Time Warner Cable Information Services (North Carolina), LLC, Wide Voice, LLC, and XO Communications Services, LLC
- The following ILECs are Subsection (m) companies: BellSouth Telecommunications, LLC d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company, Central Telephone Company, MebTel, Inc., Verizon South, Inc., Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC
- Subsection (m) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data



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North Carolina Area Codes

<u>Area Code</u>	<u>Exhaust Date*</u>
336/743	2 nd Qtr. 2052
910/472**	4 th Qtr. 2022
252	4 th Qtr. 2030
828	4 th Qtr. 2031
919/984	3 rd Qtr. 2046
704/980	1 st Qtr. 2040

* Exhaust dates are current projections which are subject to change.

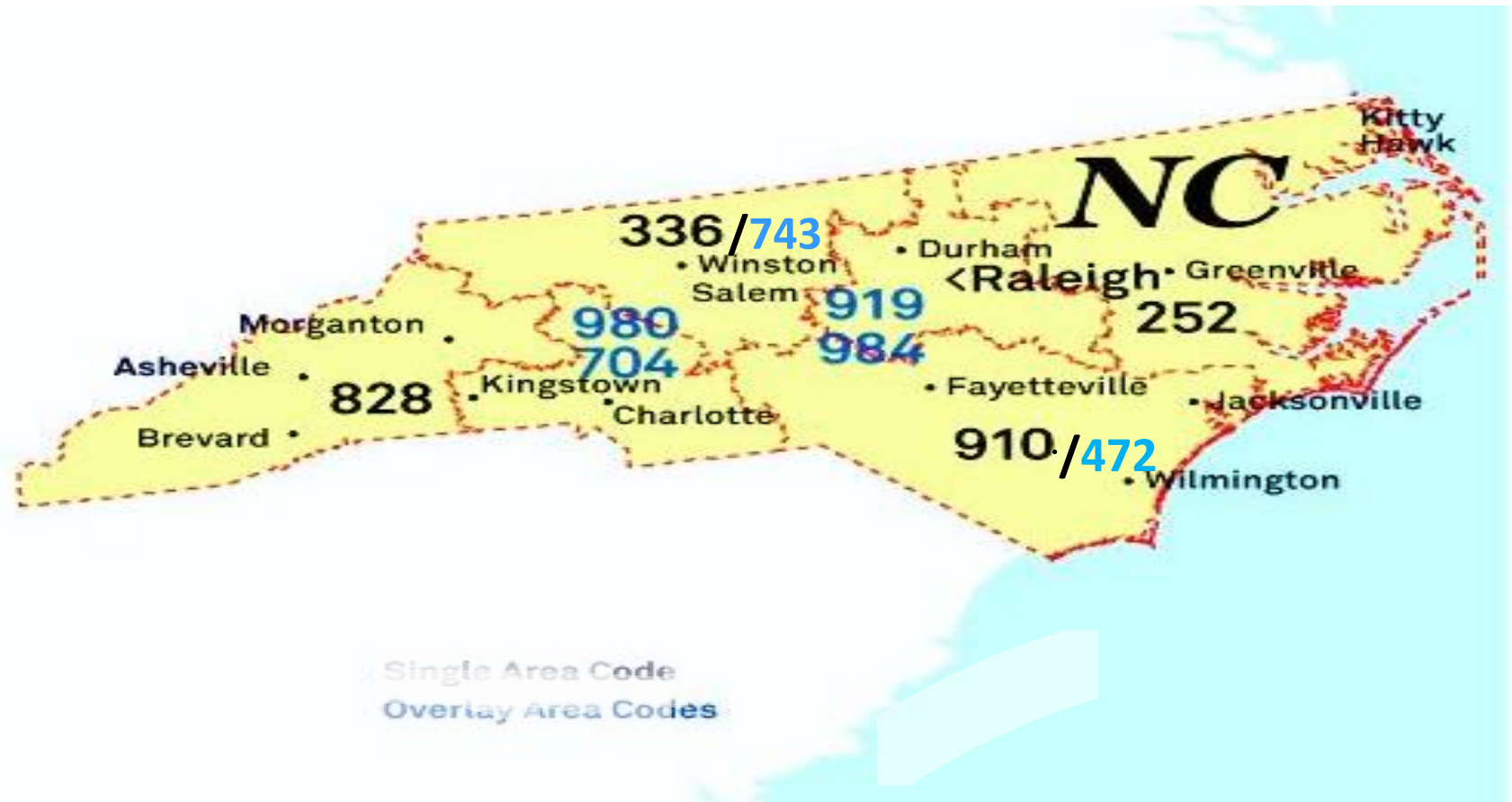
** The Commission issued an order on June 25, 2021, in Docket No. P-100, Sub 137D, approving an overlay to provide area code relief in the 910 numbering plan area (NPA). The new overlay area code will be 472. New telephone numbers using the 472 area code will be assigned after October 7, 2022 (once all numbers in 910 NPA have been assigned).



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North Carolina Area Code Map





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IV Transportation

Basic Facts

(As of 3/31/2022)

- **Motor Carriers of Household Goods (HHG)**
 - 343 certificated movers
 - Subject to provisions of Maximum Rate Tariff, effective 1/1/2003
 - Provide intrastate transport of HHG
- **Regular Route Passenger Carriers**
 - 2 certificated bus companies
 - Provide passenger service over regular routes
- **Passenger Brokers**
 - 5 licensed brokers
 - Broker tours and trips with charter bus companies
- **Ferryboat Operators**
 - 8 certificated ferryboat operators
 - Provide passenger service via water over authorized routes
 - Commission does not regulate ferries operated by NCDOT's Ferry Division



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V Water and Wastewater

Basic Facts: Water/Wastewater Industry

- Anyone furnishing water to the public for compensation or operating a public sewerage system for compensation is a public utility (*N.C. Gen. Stat. § 62-3(23)a.2*)
- Regulation does not include:
 - Water or Sewer Operations with less than 15 residential customers
 - Municipal or County systems
 - Sanitary Districts
 - Mobile Home Parks (where water/wastewater included in rent)
 - Homeowners' Associations
 - Nonprofit and consumer-owned corporations



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Water/Wastewater Industry *cont.*

- NCUC grants certificates for specific service area and regulates rates and service aspects of utility operation
- NCUC does not regulate drinking water quality, but requires compliance with NCDEQ, Division of Water Resources, Public Water Supply regulations
- NCUC does not regulate discharge of sewage being treated, but requires compliance with NCDEQ, Division of Water Resources, Water Quality regulations



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Rates of Water/Wastewater Utilities

- Traditional Companies

- NCUC establishes base rates in general rate case
(*N.C. Gen. Stat. § 62-133 and N.C. Gen. Stat. § 62-133.1*)
- In general rate case, Company may seek approval of rate adjustment mechanism for investment in eligible repair, improvement, and replacement of water and sewer facilities
(*N.C. Gen. Stat. § 62-133.12*). Once mechanism is approved and eligible system improvements are completed and placed in service between rate cases, Company may seek approval to impose water and/or sewer system improvement charge (WSIC and SSIC) pursuant to mechanism, subject to a statutory cap and NCUC procedures (*Rules R7-39 and R10-26*)
- Session Law 2021- 149 (Senate Bill 211) increased statutory cap for the WSIC and SSIC from 5% to 7.5% and modified the definitions of “eligible water/sewer system improvements”
- Company may request a pass-through rate adjustment, outside a general rate case, for changes in costs based on third-party supplier’s rates (*N.C. Gen. Stat. § 62-133.11*)
- Company may request to establish rate base by using the fair value of the utility property instead of original cost when acquiring an existing water or wastewater system owned by a municipality or county or an authority or district established under Chapter 162A of the General Statutes
(*N.C. Gen. Stat. § 62-133.1A and NCUC Rules R7-41 and R10-28*)



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities

- Traditional Companies

- In general rate case, Company may seek approval of rate adjustment mechanism to track and true up variations in average per customer usage by rate schedule from levels adopted in general rate case proceeding
(N.C. Gen. Stat. § 62-133.12A and NCUC Rules R7-40 and R10-27)
- Implementation of Session Law 2021-149 (Senate Bill 211), a Water and Sewer Investment Plan under which the Commission sets water and sewer base rates, revenue requirements through banding of authorized returns, authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period. Session Law 2021-149 requires that a Water and Sewer Investment Plan include performance-based metrics that benefit customers and ensure the provision of safe, reliable, and cost-effective service by the water or sewer utility. NCUC procedures (Rule R1-17A) implemented January 7, 2022.



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities cont.

- Resale Companies
 - For the purpose of encouraging water conservation, NCUC establishes rates based upon charges by a third-party supplier of service and an administrative fee that landlords may charge lessees of residential contiguous and non-contiguous premises (*N.C. Gen. Stat. § 62-110[g]*)
 - NCUC grants a certificate of authority to the owner of the residential premises within 30 days of receipt of a completed application (*NCUC Rule R18-3*)
 - Company may request a pass-through rate adjustment for changes in costs based on third-party supplier's revised rates. A valid rate adjustment is allowed to become effective after 14 days notice to the Commission, unless otherwise suspended or disapproved (*N.C. Gen. Stat. § 62-110[g]*)



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities cont.

- Resale Companies

- Landlord may pass through and charge lessees of residential premises the same flat rate for water or sewer services, rather than a rate based on metered consumption, and an administrative fee if the NCUC approves a flat rate to be charged by a water or sewer utility for the provision of water or sewer services for such premises
- Landlord of any leased residential premises, as that term is defined under N.C. Gen. Stat. § 42-59(3), may equally divide the amount of the water and sewer bill for a unit among all the lessees in the unit and may send one bill to each lessee.
(N.C. Gen. Stat. § 62-110[g][1b]. NCUC rules and procedures to be established.)



North Carolina

Utilities Commission

Water/Wastewater Utilities

(As of 12/31/2021)

- Traditional Companies
 - 41 Water and Wastewater
 - 25 Water only
 - 26 Wastewater only
 - 1,740 Systems
 - 135,843 Water and 68,792 Wastewater customers
- Resale Companies
 - 1,887 Water and/or Wastewater

92 Total Companies



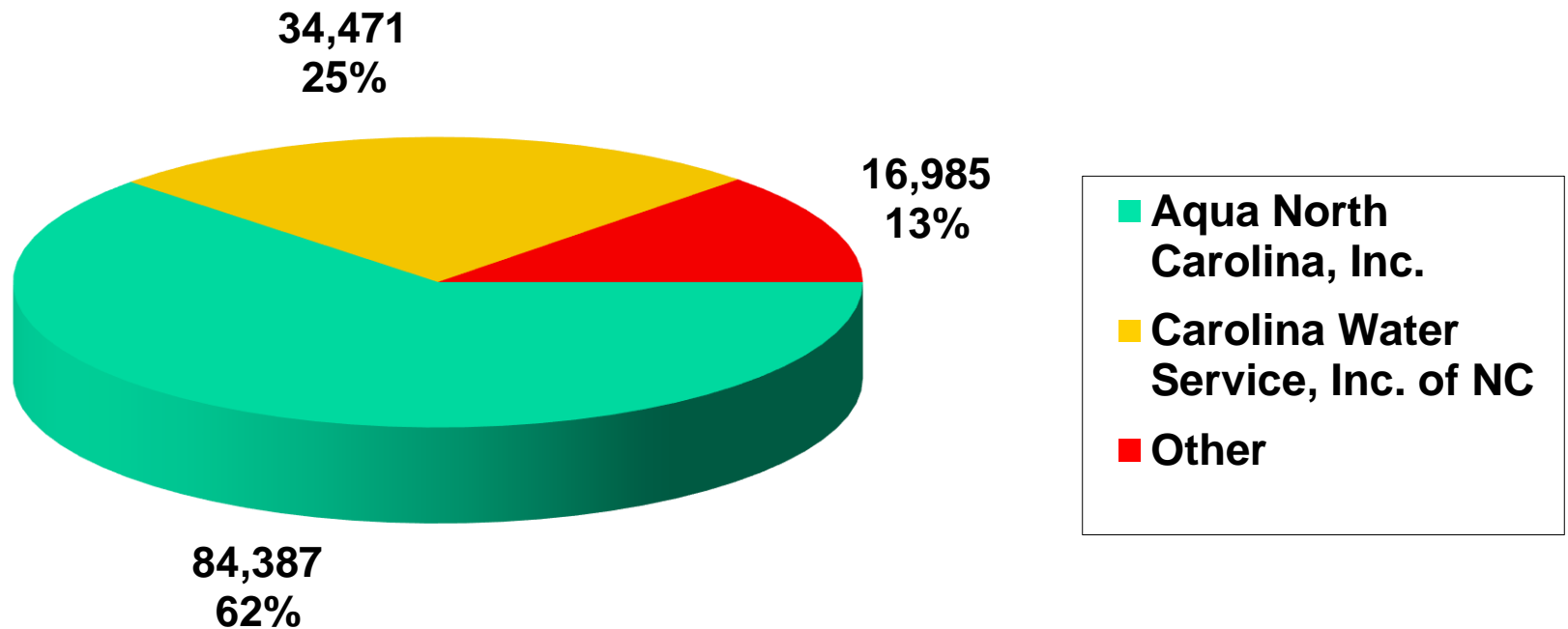
North Carolina

Utilities Commission

Water Customers

(As of 12/31/2021)

Distribution of 135,843 Traditional Water Customers





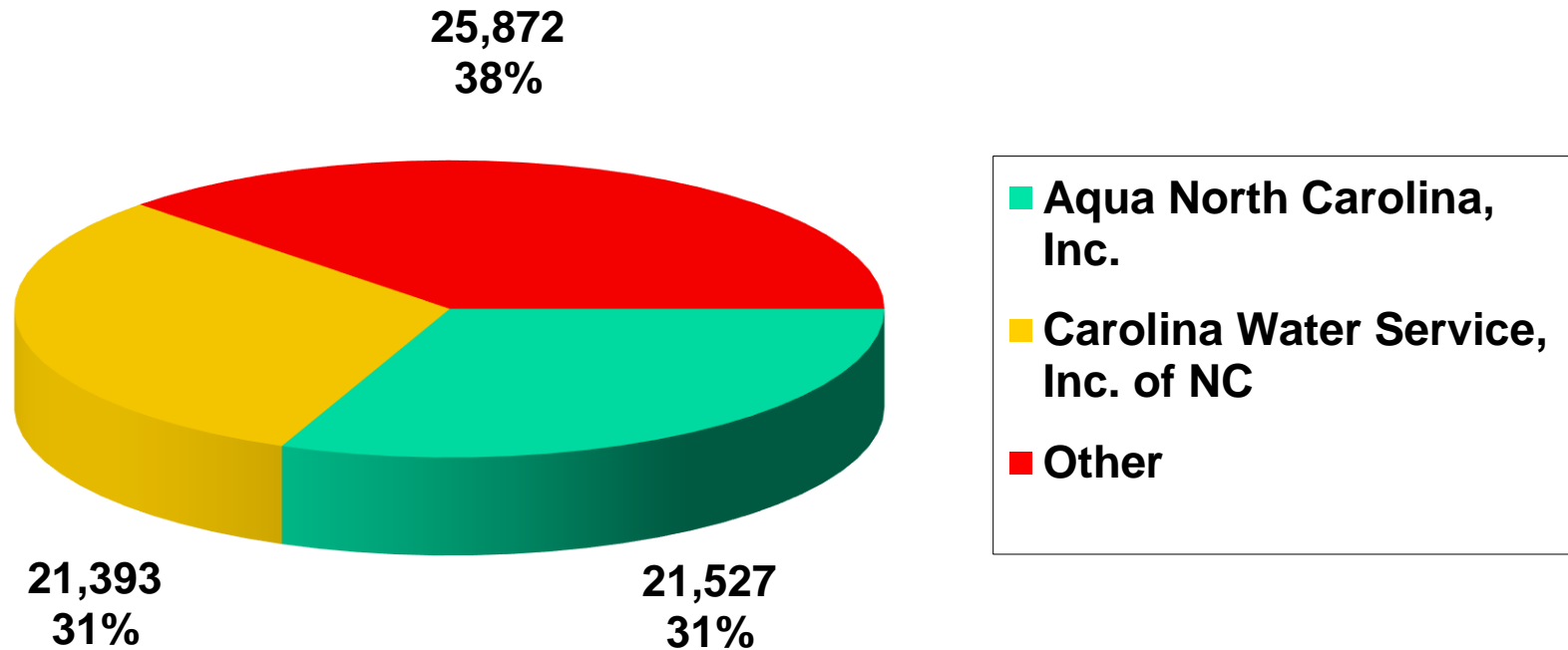
North Carolina

Utilities Commission

Wastewater Customers

(As of 12/31/2021)

Distribution of 68,792 Traditional Wastewater Customers





North Carolina

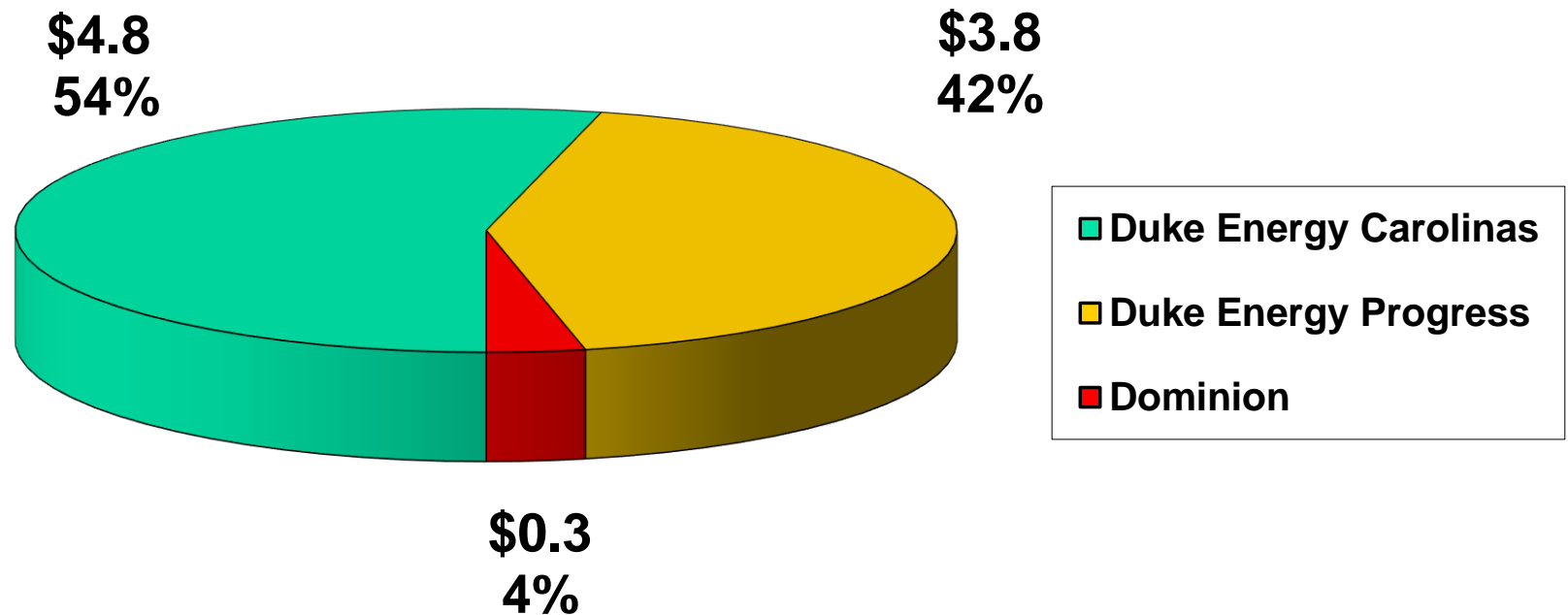
Utilities Commission

VI Selected Financial and Operational Data

Operating Revenues by Electric Utility (\$8.9B Total)

(12-Month Period Ending 12/31/2021)

(\$ in Billions)



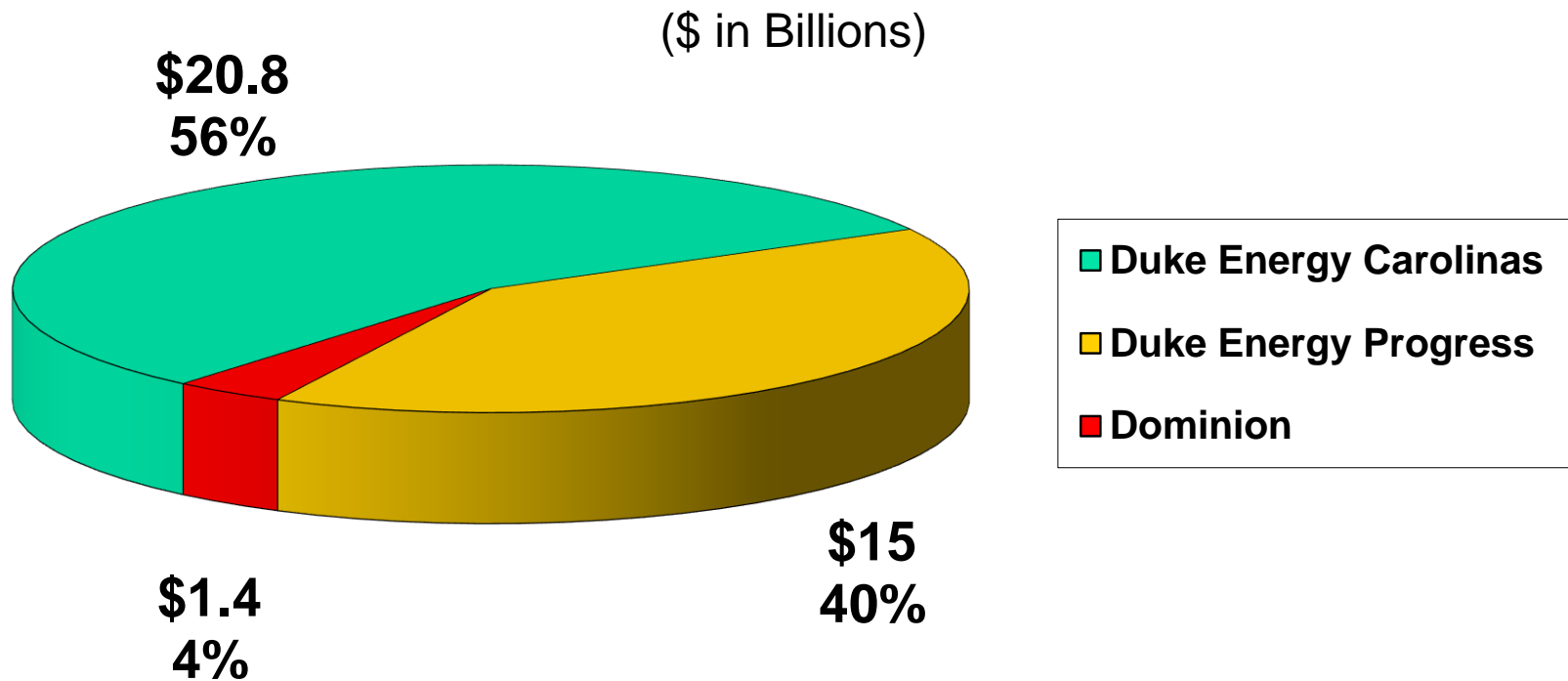


North Carolina

Utilities Commission

Net Plant Investment by Electric Utility (\$37.2B Total)

(As of 12/31/2021)





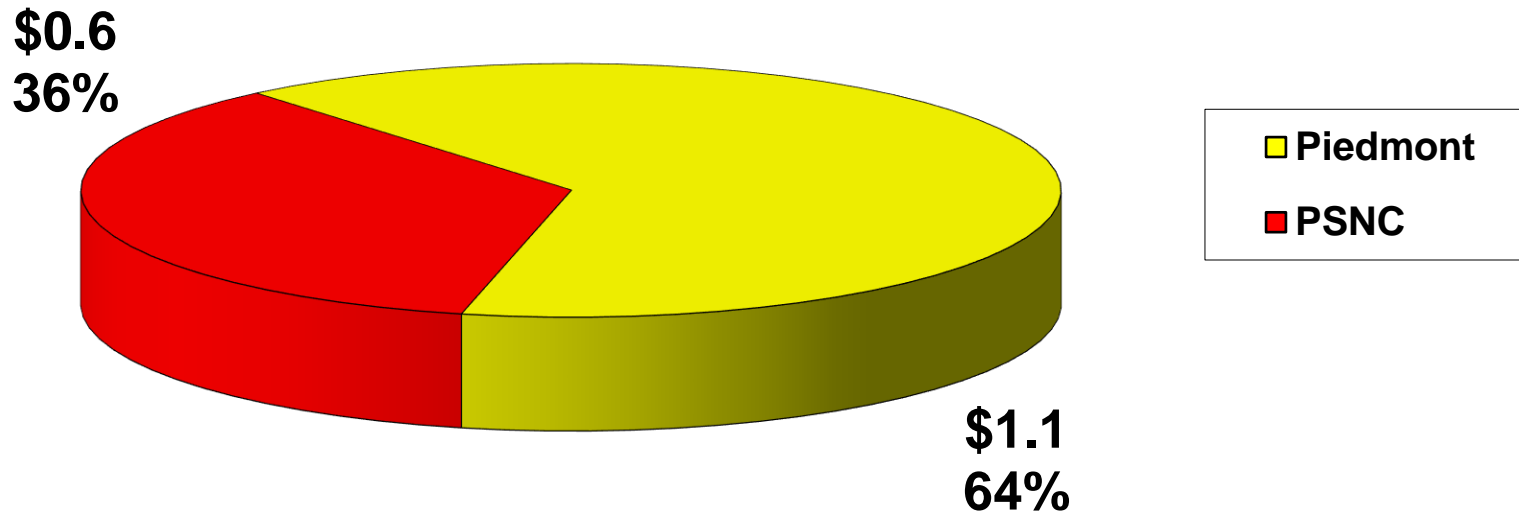
North Carolina

Utilities Commission

Operating Revenues by Natural Gas Utility (\$1.6B Total)

(As of 12/31/2021)

(\$ in Billions)



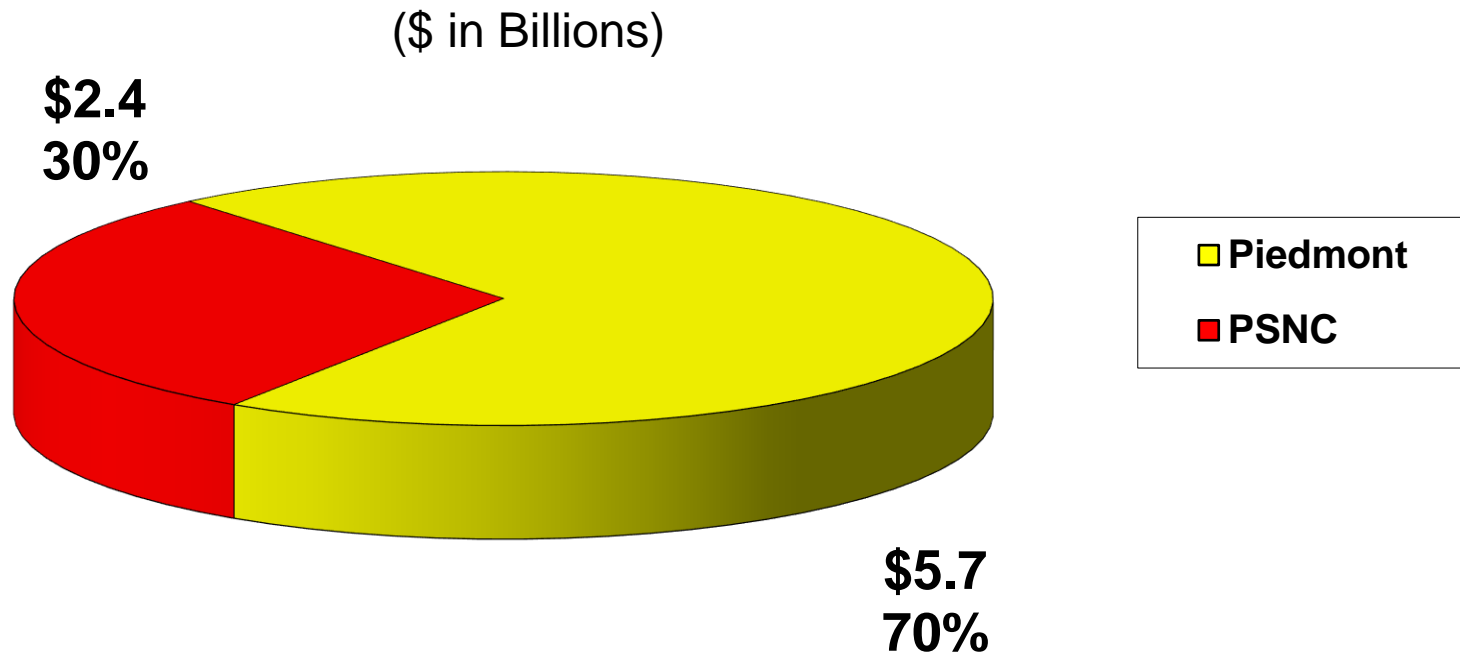


North Carolina

Utilities Commission

Net Plant Investment by Natural Gas Utility (\$8.1B Total)

(As of 12/31/2021)





North Carolina

Utilities Commission

Selected Mergers and Acquisitions 2003 to Present^[1]

- Electric
 - In 2005, Dominion joined PJM Interconnection, LLC
 - In 2006, Duke Energy acquired Cinergy
 - In 2012, Progress Energy merged with Duke Energy

- Natural Gas
 - In 2003, Piedmont acquired NCNG and 50% interest in Eastern NCNG
 - In 2005, Piedmont acquired the remaining 50% interest in Eastern NCNG
 - In 2007, Energy West acquired Frontier
 - In 2016, Piedmont merged with Duke Energy
 - In 2017, BlackRock, Inc. acquired Frontier
 - In 2018, Dominion acquired PSNC's parent, SCANA
 - In 2021, Ullico Infrastructure Hearthstone, LLC acquired Frontier

[1] The business combinations presented, although some are dated, typically engender the greatest interest.



North Carolina

Utilities Commission

Selected Mergers and Acquisitions 2003 to Present^[1] *cont.*

- Water/Wastewater

- In 2004, Aqua America acquired stock of Heater
- In 2006, Hydro Star acquired stock of Utilities, Inc., from nv Nuon
- In 2007, Utilities, Inc. subsidiaries: Belvedere, Queens Harbor, Riverpointe, and Watauga Vista merged into Carolina Water
- In 2008, Aqua America subsidiaries: Fairways, Glynnwood, Heater, Mountain Point, Rayco, and Willowbrook merged into Aqua NC
- In 2009, Pluris acquired North Topsail
- In 2010, Utilities, Inc. subsidiaries: Carolina Pines and Nero merged into Carolina Water
- In 2012, Corix acquired stock of Utilities, Inc., from Hydro Star
- In 2016, Utilities, Inc. subsidiaries: Bradfield Farms, Carolina Trace, CWS Systems, Elk River, and Transylvania merged into Carolina Water
- In 2018, Pluris Webb Creek acquired Webb Creek Water and Sewage
- In 2019, Pluris Webb Creek acquired The Pines Development

[1] The business combinations presented, although some are dated, typically engender the greatest interest.



North Carolina

Utilities Commission

Major Issues

- Electricity
 - Strong demand for renewable energy, storage, modernizing the power grid, security risks
 - Implementation of Session Law 2017-192 (House Bill 589), including the Competitive Procurement of Renewable Energy Program pursuant to N.C.G.S. § 62-110.8, revised net metering, leasing of solar energy facilities, community solar energy facilities, and solar rebate programs
 - Implementation of Session Law 2021-165 (S.L. 2021-165 or House Bill 951), including performance-based regulation (PBR Statute), securitization of costs associated with early retirement of subcritical coal-fired generating facilities (Securitization Statute), and achieving emission reductions of 70% from 2005 levels by the year 2030 and carbon neutrality by the year 2050 (Carbon Plan).

*An Order Adopting Commission Rule R1-17B was issued on February 10, 2022, in Docket No. E-100, Sub 178, to implement the newly enacted PBR Statute.

*An Order Adopting Rule R8-74 was issued on April 5, 2022, in Docket No. E-100, Sub 177, to implement the newly enacted Securitization Statute.

*Commission issued an Order Adopting Initial Carbon Plan and Providing Direction for Future Planning on December 30, 2022. The Carbon Plan shall be reviewed every two years and may be adjusted as necessary.



North Carolina

Utilities Commission

Major Issues *cont.*

- Natural Gas
 - Increasing natural gas prices, strong demand, rising production, increasing exports. growing electric generation use with fuel switching, loss of backhaul
- Telecommunications
 - Transition to all-IP network, broadband deployment, FCC's Rural Digital Opportunity Fund (RDOF), intercarrier compensation, universal service, Lifeline reform and expansion of Lifeline to broadband service
- Transportation
 - Criminal history background checks and fitness of company principals, insurance compliance, unauthorized movers and related complaints



North Carolina

Utilities Commission

Major Issues *cont.*

- **Water & Wastewater**
 - Water supply, water quality concerns generally related to aesthetic attributes measured by EPA's secondary drinking water standards, environmental issues, industry consolidation, drought conditions, financing/bonding, system repair/improvement/replacement, appointment of emergency operators
 - Senate Bill 211 (2021) allows Commission-approved multi-year rate plan for base rates (Water and Sewer Investment Plan) and increases cap for WSIC/SSIC mechanisms from 5% to 7.5%. WSIC/SSIC mechanisms must be discontinued during the term of any approved Water and Sewer Investment Plan.
- **Generic**
 - Financial market pressures, storm impacts, emergency preparedness, accounting issues, merger conditions, tension at intersection of regulated and competitive activities of regulated companies, State versus Federal regulatory authority issues, cyber security